BEFORE THE POSTAL RATE COMMISSION WASHINGTON, D.C. 20268–0001

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POSTAL RATE COMMISSION OFFICE OF THE SECRETARY

EXPERIMENTAL "RIDE-ALONG"
CLASSIFICATION CHANGE FOR PERIODICALS, 1999

Docket No. MC2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE (OCA/USPS-T1-9-15)

The United States Postal Service hereby provides the responses of witness Taufique to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-9-15, filed on November 24, 1999.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr. Chief Counsel, Ratemaking

Scott L. Reiter

475 L'Enfant Plaza West, S.W. Washington, D.C. 20260-1137 (202) 268-2999; Fax -5402 December 6, 1999

OCA/USPS-T1-9. Please refer to the testimony at page 7, lines 10-11, where it states that, "Almost 42 percent of Regular Rate Periodicals revenue is generated through CPP."

- a. Please explain how the figure of "42 percent" was derived. Please provide all supporting calculations.
- b. Does the 42 percent figure relate to FY98? If not, to what time period does it relate?
- c. Please provide the volume and the percent of total volume of Regular Rate Periodicals reported through the CPP for FY98.
- d. Please provide the weight and the percent of total weight of Regular Rate Periodicals reported through the CPP for FY98.
- e. If the 42 percent figure relates to a time period other than FY98, please provide the information requested in part c. and d. of this interrogatory for that time period.

RESPONSE

- a. The figure of "42 percent" was derived through the following calculation: FY98 CPP revenue figure divided by GFY98 Periodicals' Regular Rate revenue. The attached document provides the supporting calculations. The total CPP revenue for FY98 as a percent of Total Regular Rate GFY98 revenue is approximately 42 percent. Subtracting the Nonprofit and Classroom components of CPP provides a slightly lower number. 39 percent of Regular Rate revenue for GFY98 is derived from the Centralized Postage Payment system. Also, please note that CPP data includes some foreign mail.
- b. Yes.
- Regular Rate CPP pieces are approximately 3 billion for FY98, which translates into approximately 42 percent of GFY98 Regular Rate pieces.
- d. Regular Rate CPP weight is approximately 78 billion pounds for FY98, which translates into approximately 47 percent of GFY98 Regular Rate pounds.

e. Not applicable.

FISCAL YEAR 1998 - CPP DATA FOR PERIODICALS

(Note: Most CPP mailers are Regular Rate, but also include some Nonprofit and Foreign mail)

	Pieces	Pounds	Revenue	
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AP1	253,530,898	138,860,794	\$	53,303,743
AP2	229,005,174	148,452,637	\$	53,442,432
AP3	296,594,024	152,724,189	\$	59,804,448
AP4	250,149,598	130,100,229	\$	50,768,093
AP5	215,237,216	115,420,712	\$	44,648,016
AP6	275,694,815	129,949,704	\$	52,882,418
AP7	312,706,230	164,169,685	\$	64,593,940
AP8	271,091,035	144,713,237	\$	56,511,537
AP9	271,178,477	136,123,310	\$	52,562,191
AP10	188,608,981	110,620,593	\$	42,135,704
AP11	313,934,088	153,227,134	\$	60,249,688
AP12	209,633,577	106,063,456	\$	42,198,051
AP13	271,429,134	136,105,871	\$	53,751,672
Total CPP	3,358,793,247	1,766,531,551	\$	686,851,934
Nonprofit CPP	369,095,551	77,881,941	\$	42,919,895
Regular Rate CPP	2,989,697,696	1,688,649,610	\$	643,932,039

FY98 REGULAR RATE PERIODICALS

	Pieces	Pounds	Revenue		
		in ven er ste miner men in de sie eine			
GFY98	7,195,165,978	3,580,405,050	\$ 1,644,713,716		
CPP as a Percent of Regular Rate	41.55%	47.16%	39.15%		

FY98 NONPROFIT PERIODICALS

	Pieces	Pounds	Revenue		
and the second of the second o	Service Commence of the Commen				
GFY98	2,136,927,217	585,101,796	\$ 317,026,548		
CPP Nonprofit as a Percent of Nonprofit	17.27%	13.31%	13.54%		

OCA/USPS-T1-10. Please refer to the testimony at page 7, lines 10-11, where it states that, "Almost 42 percent of Regular Rate Periodicals revenue is generated through CPP."

- a. Please provide the amount and percent of Nonprofit Rate Periodicals revenue generated through the CPP for FY98.
- b. Please provide the volume and the percent of total volume of Nonprofit Rate Periodicals reported through the CPP for Fy98.
- c. Please provide the weight and the percent of total weight of Nonprofit Rate Periodicals reported through the CPP for Fy98.
- d. If the 42 percent figure relates to a time period other than FY98, please provide the information requested in part a. b. and c. of this interrogatory for that time period.

RESPONSE

- a. The CPP revenue for FY98 for Nonprofit (includes one Classroom publication) is approximately \$43 million, which translates into approximately 14 percent of GFY98 Nonprofit revenue.
- b. The CPP volume for FY98 for Nonprofit (includes one Classroom publication) is approximately 369 million pieces, which translates into approximately 17 percent of GFY98 Nonprofit pieces.
- c. The CPP weight for FY98 for Nonprofit (includes one Classroom publication) is approximately 78 million pounds, which translates into approximately 13 percent of GFY98 Nonprofit weight.
- d. Not applicable.

OCA/USPS-T1-11. Please refer to the testimony lines 10-11, where it states that, "Almost 42 percent of Regular Rate Periodicals revenue is generated through CPP."

- a. Please identify all other sources of the 58 percent of Regular Rate periodicals revenue not generated through the CPP.
- b. Please identify all other sources of Nonprofit Rate Periodicals revenue not generated through the CPP.

RESPONSE

- a. Business Mail Entry Units (BMEUs) are the source of periodicals revenue not generated through CPP. This applies to all Periodicals subclasses.
- b. See the response to part (a) above.

OCA/USPS-T1-12. Please refer to your response to OCA/USPS-T1-1(a). Weight –related costs for advertising matter in Periodicals are recovered through zoned pound rates. Please confirm that there is no mark-up of the weight-related costs for advertising matter in the zoned pound rates for Periodicals. If you do not confirm, please explain and provide citations to Commission workpapers from Docket No. R97-1 where the mark-up occurs.

RESPONSE

Not confirmed. Zoned pound rates for Periodicals include the mark-up applicable to the Regular Rate subclass. Reference is found in the PRC workpaper PRC-2all.xls. Cell E3 in worksheet E is the revenue required from pound rates which is derived by subtracting the revenue derived from piece rates from the overall revenue requirement. This calculation is done in worksheet D. The overall revenue requirement in this case include the mark-up as stated in worksheet D in the description of cell B3.

Without going in to the detail of all the cells, it is apparent that the goal of the whole exercise in worksheet E is to calculate rates to derive the revenue required from pound rates and this required revenue includes the mark-up.

OCA/USPS-T1-13. Please refer to the testimony at page 7, lines 11-12.

- a. How many of the 12.6 million Standard (A) pieces enclosed or attached to Periodicals mailings were letters and how many were flats?
- b. How many of the 12.6 million Standard (A) pieces enclosed or attached to or Periodicals mailing s were above the "break-point" and how many were below the "break-point"?
- c. Please breakout the 12.6 million Standard (A) pieces enclosed or attached to Periodicals mailings according to the rates shown in the Standard Mail Rate Schedules 321.2A, 321.2B and 321.3 (excluding destination entry discounts).

RESPONSE

- a. I do not know for sure. Since most Periodicals are flats, it can safely be said that most of the Periodicals pieces with a Standard Mail (A) enclosure or attachments were flat-shaped pieces.
- b. I do not know for sure. Since the average weight of the pieces is estimated to be 1.8 ounces (Exhibit I, USPS-T-1), a safe guess would be that most of the pieces were below the "break-point" of 3.3087 ounces.
- c. Rate Schedule 321.2A 7.5 million pieces;

Rate Schedule 321.2B - 1.8 million pieces:

Rate Schedule 321.3 - 3.3 million pieces;

A very small number was also mailed at Standard Mail (A) single piece rate which was available in FY98.

OCA/USPS-T1-14. Please refer to the testimony at page 2, lines 11-14, where it states, "The Standard (A) postage applied is the same as a stand-alone Standard (A) piece would pay if it were mailed as a separate piece, even though the enclosure or attachment is processed and delivered with the host piece." How does the mailer determine which of the rates in the Standard Mail Rate Schedules 321.2A, 321.2B and 321.3 are applicable to the Standard (A) mail enclosed with or attached to a Periodicals publication? Please explain and provide copies of any forms used for this purpose.

RESPONSE

The postage for Standard Mail (A) attachment or enclosure with Periodicals is determined based on the preparation of the Periodical host-piece. If the host-piece happens to be a non-automated piece then Rate Schedule 321.2A would be applicable for the Standard Mail (A) enclosure or attachment. An automated or barcoded host-piece would make Rate Schedule 321.2B applicable to the Standard Mail (A) enclosure or attachment. If the host-piece were sorted to Carrier Route level than Rate Schedule 321.3 would be applicable to the Standard Mail (A) enclosure or attachment. A copy of 3602-R is attached.

Po	ited States Postal Service estage Statement — Regular Sta ermit Imprint	andard Mail				Note Mail Arriv		
Mailer Information	Permit Holder's Name and Address	Name and Address of Mailing Agent (If other than permit holder)	Telephone			tress of Organizat ther than permit ho		Mailing Is
2					Dun P Bradate	ant Na		
	Dun & Bradstreet No Post Office of Mailing	Dun & Bradstreet No Mailing Date	Federal Agency (Cost Code	Dun & Bradstr Statement Sec		Receipt No.	
5						-		
Information	Permit No.	Weight of a Single Piece		Total Pieces		Total Weight		
Ę		0	4.0000	_ pounds	Number of Co.	ntainers <i>(Fill in all</i>	that anniv)	
Ī	Prepared Under DMM (Check all that apply)	Processing Category (DMN	# C050) ☐ Flats		1' MM		2' EMM	Total Ltr.
Ď	M610 (Letters, flats, parcels)	Letters			Trays	Trays	Trays	Trays
Mailing	M610 (Upgradable letters) ☐ M620 (ECR) ☐ M810 (Automation letters) ☐ M820 (Auto. flats)	☐ Automation Flats (DMM C	<i>,820)</i> Irregular Parc	ale	Flat Trays_N/A	Number of Sacks	Number of Pallets	Number of Other
ž	If Sacking, Based on 125 Pcs. 15 Lbs		LI HIEGORI FAIL		ilays	OI SBUIS	OF CARCO	
—	For Automation Letters and Flats			Total	From Part A	(On reverse)		
(DIMM P013)	For Presorted Letters and Nonletters Total					(On reverse)		
	For Enhanced Carrier Route (ECR) Pieces		Total	From Part C	(On reverse)			
Computation	For All Other Pieces		(On reverse)					
e Co	For Residual Shape Surcharge				No. of Pieces	Fee per Pc. x \$.10		<u></u>
Postage (Postmaster: Report total Total Postage Due (Add lines above)							
_	USPS: Additional Postage Payment (State reason.	Add amount to line above)	Market and Pales on 1987	· 建40-400	S ayti murasa	Signaji —	January Server	1 - 531
The signature of a mailer certifies that it will be liable for and agrees to pay, subject to appeals prescribed by postal laws and regular revenue deficiencies assessed on this mailing. (If this form is signed by an agent, the agent certifies that it is authorized to sign that the certification binds the agent and the mailer, and that both the mailer and the agent will be liable for and agree to pay any of the submission of a false, fictitious, or fraudulent statement may result in imprisonment of up to 5 years and a fine of up to \$10,00 in addition, a civil penalty of up to \$5,000 and an additional assessment of twice the amount falsely claimed may be imposed (31 to extend the correct facing identification mark (FIM) and barcode and meet automation compatibility standards in DMM C810. For ZIP Codes (Presorted rates only): I certify that the ZIP Codes appearing on the pieces described above have been verified and or where necessary within 12 months of the date of this mailing using a USPS-approved method. I hereby certify that all information furnished on this form is accurate and truthful, that this mailing meets all applicable CASS/MASS standard barcode accuracy, that the material presented qualifies for the rates of postage claimed, and that this mailing does not contain any harmaterials prohibited by postal regulations.								statement, ciencies.) 18 USC 1001). 3802). nove bear ected
Section	Signature of Permit Holder or Agent (Both principal and agent are liable for any postage deficiency incurred.)					Later to the second second	Telephone	
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i del	Vertiving Employee's Signature	Veritying Employee's Nar		7. (25)	Time	AM		
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A	Automation Rates — Le Less				Presorted Pieces 3.30	87 Oz. <i>(.2</i>	<i>9068 Lb.)</i> or Less	
 one	5-Digit Letter	160 x	_pcs. = \$	None	3/5 Letter	.207 x	pcs.	= \$
one	3-Digit Letter		pcs. = \$		3/5 Nonletter	.240 x	pcs.	= \$
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			_ pcs. = \$		Basic Nonletter			
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	Basic Flat	.245 X	_ pcs. = \$		3/5 Nonletter Basic Letter	.224 x	pcs.	= \$ - ¢
BMC	5-Digit Letter	.144 x	_ pcs. = \$		Basic Nonletter	.288 x	pcs.	= \$
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	Basic Flat		_ pcs. = \$		Basic Nonletter	.283 x	pcs.	= \$
				Total —	Part B <i>(Carry to front of</i>	form)		\$
SCF	5-Digit Letter		_ pcs. = \$		heck Pieces More Th		7 Oz. <i>(.2068 Lb.)</i>	
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lone	Saturation Letter		_ pcs. = \$		plus Basic Automation*	1053		= \$ = \$
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	Basic Letter		_ pcs. = \$	DBMC	Saturation ECR	.003	k pcs.	= \$
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	Basic Nonletter		_ pcs. = \$	ļ	plus Pasia Descorted			= \$. = \$
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,001	Saturation Nonletter		pcs. = \$	DSCF	Saturation ECR plus			. = φ = \$
			pcs. = \$		High Density ECR	.014	xpcs	. = \$
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	High Density Nonletter		_ pcs. = \$		Basic ECR	.025		. = \$ = \$
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	Basic Nonletter		_ pcs. = \$		plus	.577	x lbs.	= \$
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DU	Saturation Letter	.104 x	pcs. = \$		plus	.577		= \$
			_ pcs. = \$		Basic Automation* plus	.105 .577		· = \$ = \$
	Saturation Nonletter		pcs. = \$		Basic Presorted	.164	x pcs	. = \$
	High Density Letter		pcs. = \$		plus		x lbs	= \$
	High Density Nonletter		pcs. = \$ pcs. = \$		Saturation ECR	.003	x pcs	s. = \$
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	Basic Nonletter		pcs. = \$		High Density ECR	.014	x pcs	s. = \$
	Basic Automation Letter*	· .130 x	pcs. = \$	1	plus	.537		. = \$
	nation-compatible letters (Df			1	Basic ECR	.025	x pcs	s. = \$

*Automation-compatible flats only (DMM C820)

Total — Part D (Carry to front of form)

OCA/USPS-T1-15. During the experiment, it is OCA's understanding that the Postal Service will collect data on the shape (e.g., letter, flat, etc.) and type (e.g., product sample, CD, printed matter, etc.) of "Ride-Along" pieces. Please explain how the Postal Service will associate data on "Ride-Along" pieces concerning number of pieces, weight, revenue and zone collected on the alternate Mailing Statement, Form 3541, with any data collected on shape and type of "Ride-Along" pieces.

RESPONSE

The two data sets will not be directly linked. However, each sample piece provided will be accompanied by its mailing statement, which will contain Pieces, Weight, Revenue and Zone data that go into the RPW system.

DECLARATION

I, Altaf Taufique, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Jo Danfri

Dated: December 6,1999

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Scott L. Reiter

475 L'Enfant Plaza West, S.W. Washington, D.C. 20260–1137 December 6, 1999